DEVELOPMENT OF ENTREPRENEURSHIP IN MARKETING GROUPS IN AGRIBUSINESS IN THE LIGHT OF THE LITERATURE

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ABSTRACT: A marketing group is an association of producers who agreed to sell their farms jointly, as a group. The group takes responsibility for widely understood marketing of agricultural products i.e. preparation, supply, promotion, and distribute of these goods. Farmers’ groups, in order to generate possibly highest profits, usually merge production-related and marketing functions, which leads to rise in.

KEY WORDS: group, marketing group

1. INTRODUCTION

First attempts to organize joint entrepreneurship in Poland made by individual agricultural producers were initiated after the year 1989. Difficulties in the market of agricultural products and growing costs of production resulted in intensification of this process after 1994.

Farmers’ organizations combine two attributes: self-help and co-management, which generate a variety of essential functions: integration, self-government, coordination as well as initiation and implementation of economic changes. Particular emphasis is on self-government function of farmers’ organization, which manifests in four areas [Kuśmierz-Gozadalik 2003]:

- active approach to organization,
- operation of the organs that are self-elected,
- business activity based on economic account, ensuring benefits to the members, mainly through economies of scale,
- protecting and representing of the members’ and consumers’ interests.

Currently more and more farmers’ organizations emphasize the necessity of performing of a new function, i.e. combined social and educative function in terms of

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impact of the organization of local society. The process of organization of people and creation of organizations had already been known long before the first considerations on the subject appeared [Skowron-Grabowska 2006].

According to Zielenewski [1976], this process has been in existence since living organisms, through conditioned reflexes, started organizing their individual activities and then established the order for component activities and also since human race started uniting in groups in order to achieve joint goals. Kotarbinski argues that the term organization denotes an idea whose all components contribute to its success.

Glinski and Lutoslawski [1976] emphasize duality of the meaning of organization as an institution and as a solution created as a result of organizational activities. A more precise approach to the concept of organization was described by Bernatene [1958], who claimed that and organization is an entirety of the principles, methods and means which enable optimal use of all elements that take part in the process of production, i.e. workers, materials, raw-materials, space, time and capital.

Wider importance of an organization was observed by Ashby [1962], who argued that an essence of a concept of organization is the concept of conditioning. Hence theory of organization, according to that scholar, partially converged with the theory of function with more than one variable. March and Simon [1964] treated an organization as a system of interrelated social behaviour of a particular number of persons, who are termed as members of the organization and as a form of peoples’ uniting in order to reach common goals.

These definitions are still fresh, also in contemporary times. The organization can be based on a variety of ordering principles, giving rise to the development of different models. The model that is most frequently referred to in the literature is a Leavitt’s [2001] model. It comprises six subsystems: goals realized by an organization and resulting from their actual activities, persons with their individual and joint tendencies and behaviour patterns, material, technical and technological equipment with particular rules for using them, formal structure, i.e. adopted rules for division of tasks and responsibility for performance of these tasks, management and the management-related responsibility for the organization, system of information.

The group is usually established where a person or a group of persons perceives an opportunity to improve its financial standing through rise in products’ sales figures within the group [Pudełkiewicz 1990]. Economic needs are thus a main reason for setting up a group. Its efficiency typically depends on individual persons that coordinate the activities of the group. According to S. Mika [1984], a group means two or more persons with direct interaction between each other, who follow jointly established standards, set common goal, exist within a developed group structure and have a sense of independence of their group in relation to other groups.

In order for particular persons to be accepted by a group, they must keep in regular contact with each other. Participation to a particular social group creates some ties and relationships between its members, which results from e.g. communication. Impact of a group on individual members is usually very strong.
2. DEFINITIONS, SCOPE AND FUNCTIONS IN MARKETING GROUPS

There are a number of definitions of marketing groups in the literature which are used interchangeably. In practice, however, the scope of their activities and the function slightly differ. The meaning of *producer teams* has gradually evolved into a *marketing group*. This results from transition of a single distribution channel into local and superregional wholesale markets and commodity exchange, including national and international markets. The most important change results from the switching from distribution management to marketing management. Direct contact with the market causes switching from vertical integration, focused on finding profitable markets, into horizontal integration with its goal of possibly best adaptation of supply to demand [Brzozowska 2002].

*Producer groups* (producer teams) are specific farming associations and organizations which associate farmers who produce different products and which often have social and political goals.

A *marketing group* is an association of the producers from a particular branch, who belong to the group mainly for business or commercial reasons, in order to jointly solve economical problems. Marketing groups are typically initiated by agricultural producers in order to [Pudełkiewicz 1999] ensure: promotion and concentration of supply as well as stabilization of the prices on an expected level, producer for one or several products, popularization of scientific progress in production and marketing among the members, sales of the whole production as a group, using of common commercial policy within the group. Therefore, a marketing group is an organization created in order to concentrate the supply of particular agricultural products and implementation of coherent commercial standards and common commercial policy.

A marketing group is also an association of producers who are obliged to sell all or a part of their products through their own organization. The members must obey the adopted obligation to use a specific production technology and follow quality standards. Coherent, in terms of quality, products reach the market under the trademark (a company, logo) of the marketing group in a way and in quantities determined according to the adopted commercial strategy in the group (Fig.1).

Therefore, a marketing group is an organized (even if not registered in court) group of producers, mainly of one product or a group of products, whose goal is to organize joint sales of products and purchase means of production. A marketing group is a voluntary association of producers who expressed the wish to sale their products jointly, as a group. These groups are usually connected with the marketing of a single agricultural product or a single type of products [Brzozowska, 2002].

3. ENTREPRENEURSHIP AMONG MARKETING GROUPS

A marketing group operates on the basis of a precisely adopted set of rules which encompass all the aspect of the business. An essential condition here is adopting of the Statutes that define the rules for operation by the farmers that make up the group. The agreement between the members might oblige each of them to sell the whole or a part of the agricultural commodities through the group.
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Figure 1. Diagram of activities in a marketing group

Farmers set up marketing groups in order to strengthen their position during commercial negotiations and also in order to reduce distribution costs through sharing these costs over a bigger number of products and striving for uniform rise in production value both through approaching the final consumers and through processing of the products before sales.

“Groups allow farmers to reinforce their market position through extension of the scale of their offer, which, on the other hand, helps them reduce dependency between the market and individual producers. Flexibility provided by a marketing group reinforces its position in the market through more coherent and reliable adaptation to the producer group and their supplies. Marketing group, through combining its means, must ensure its members the access to wide range of new market opportunities. Focus of one or a few members on the sales, frequently with aid of a marketing expert, should improve understanding of the market rules and should permit to improve efficiency of marketing decision-making. Therefore, in well-organized groups, the risk of low prices should be reduced while the risk of problems with sales can be eliminated through implementation of distribution of the products to different markets” [Gurgul, Brzozowska 2002; Kot 2001].

Marketing activities in a group can be focused e.g. on selection of best markets and support to its members to meet the expectations imposed by these markets so that a rise in profit for each farmer can be obtained. A marketing group is typically created in order to sell products produced by its members, but also in order to provide counselling, trainings and purchase of means of production. The success requires involvement of each member, confidence in the group’s managerial staff, and adoption

| FARMS PRODUCENT GRUP | Uniform manufacturing technologies and products
| Specialization and simplification of production | - determination of the market and recipients
| - limitation of the variety | - definition of the product
| - extended scale | - manufacturing using uniform technologies and standards
| - reduction in types of expenditures |
| Joint organization of counselling | Uniform manufacturing technologies and products
| Negotiations | Joint purchase of means of production
Organization of deliveries | Joint purchase of means of production
Purchase financing | Joint purchase of means of production
Storage rooms | Creation of large batches of uniform commodities
sorting, packaging and processing lines | Joint preparation of the product with uniform standard
| (sorting, cleaning, packaging, storage) |
| Negotiations | Common market offer, marketing and sales, trademark
Organization of marketing and sales | Common market offer, marketing and sales, trademark
Organization of the transport | Product distribution:
| - wholesale market |
| - supermarket chain |
| - street markets |
| - retailers |
| - processing companies |

Source: own study
of fundamental principles of cooperativeness - collectiveness, responsibility and co-financing. Therefore, a marketing group can be understood as a voluntary association of the producers who agreed to sell the products from their farms jointly, as a group, since the group ensures widely understood marketing of agricultural goods, relating to: preparation, supply, promotion, distribution.

The groups of farmers, in order to generate maximal profits, usually merge production and marketing functions, which, in consequence, determine this producers’ organization as a producer marketing group. The members of this group are obliged to cooperate and to be loyal, which excludes competition within the group. Such relationships within the marketing group are conducive to success. Therefore, these organizations should focus on adaptation of agricultural production to ever-changing expectations and tastes of the recipients and common sales [Górka 2000].

A marketing group is an association of the producers from one branch, who belong to the group for business and commercial reasons in order to cope with economical problems as a group. Marketing group is a result of the evolution from producer group, which, having left the primary market, processes its own raw materials, sells them from its own retail chain or exports by means of its own export agency [Pudełkiewicz 1999]. Marketing groups are supposed to facilitate production processes and to increase its efficiency in order to improve farmers’ income on their own production, since improvement in income rates is an overriding goal, obtained through indirect benefits that result from joint activities. The most important activities include [Boguta 1997]: opportunities of higher prices for the products, opportunities to purchase means of production at lower, wholesale prices, joint investments, sales costs reduction through elimination of agents, rise in share of agricultural producers in trade margin through increase in value added for the sold agricultural commodities.

Participation in marketing group brings a lot of benefits and opportunities to the farmers. What they can benefit from is e.g. [Kuczek 2000]:

- higher prices for their products as compared to those which can be reached by an individual producer,
- opportunities of common purchase of quality fodder and other means of production at lower prices,
- opportunities of concluding long-term contacts with wholesale recipients, which guarantees sales of the commodities produced by the members of the group,
- joint transactions and sales of large batches of properly prepared and standardized goods,
- easier access to preferential loans and subventions from a variety of sources,
- opportunity of joint investments,
- opportunity of joint investment in non-agricultural areas,
- creation of marketing channels integrated with food processing companies,
- elimination of the need for employing agents,
- reduction of costs of production and distribution of the products,
- easier access to legal information,
- improved opportunities of co-financing and access to specialized education,
- partnership-based cooperation between producers,
opportunity to use full production potential and the experience of all the members of the group,
• distribution of the business risk among all the members of the group as compared to risk by a single producer,
• opportunity to employ a manager/expert on marketing,
• opportunity to purchase shares in agricultural companies (joint investments),
• enhanced access to updated market information,
• improved exchange of experience and achievements in terms of livestock raising,
• joint promotion and distribution of the products or preserves,
• extension of own manufacturing stock, support and cooperation within the group,
• conditions conducive to reaching a position of ‘strong hands’ in the market,

The time of initiation of a group and beginning of its activity is essential for future functioning of the group. This typically includes particular expectations of the members of the group, risk during activities, subordination to the leaders, existence of specific sympathies and antipathies within the group. In order to survive and to be successful in the market, the group should set the goals adapted to their actual possibilities. Too ambitious or too unrealistic goals might be the reason for future failure. It is also very useful if the group that supports the activities can anticipate support from the outside, e.g. support in solving current strategic problems. In consideration of the abovementioned definitions one can observe that organizing of the farmers into groups and functioning within those groups can be seen as a sign of entrepreneurship. This, however, is connected with the necessity to make a range of important decisions, using the opportunities and chances and taking the responsibility for the activities and their consequences. Departure from previous, traditional patterns of management, setting new goals and methods for realization of the goals determine a market success.

4. CONCLUSIONS

A marketing group can also be understood as an association of the producers who sell products, purchase means of production, implement similar manufacturing technologies and manufacture products with specific quality and standards. From the marketing point of view, a marketing group should carry out analyses of the current market and indexes that impact on consumers’ preferences, use a variety of forms of promotion and adapt supply to the customers’ expectations. It is generally accepted that the activities of a marketing group allow for reorientation of the members of the group in terms of technology, goals and entrepreneurship, as compared to a single farm. In marketing groups, more emphasis is put on marketing than on technologies, the strategic goals are properly set, specialization is implemented instead of the variety, and the members of the group are susceptible to innovation.

Another issue is an organizational and legal form of marketing groups. In practice, there are informal groups, partnerships, associations and cooperatives that can be observed. Selection of a form of legal status depends on the available capital and the tax calculation principle. An organizational scheme of a marketing group reveals three aspects of organizational activities within the group: area of production, sales and
purchase and the area of accounting and organizational services. Each producer processes the products independently while farmers work jointly in groups during purchase of means of production and sales of their products.

Therefore a marketing group can be defined as an entity that is established on the agricultural producers’ initiative in order to ensure [Kuczek 2000]:

- promotion and concentration of supply as well as stabilization of the prices on a particular level,
- popularization of scientific progress in production and marketing among the members, sales of the whole production as a group,
- using of common commercial policy within the group. The benefits that are brought by farmers organized in marketing groups include: increase in market power (prices, market risk), stabilization of production (contract-based production, quality), availability of the finance (credits, loans, guarantees and advance payments), enhanced access to market information, avoiding redundant internal competition within the marketing group created by the farmers. In order to sell their goods better and more efficiently, three main assumptions that change market position and income status are realized [Kuczek 2000].
- market power, i.e. tenders-related position of the marketing group is enhanced as compared to the position of a single farmer,
- marketing and sales costs are reduced through increase in the scale of operation and cooperation of the members within the marketing group.

Transformation of the producer group into a marketing group occurs in an evolutionary way, through delivery of a number of channels of distribution. A marketing group does not sell their products only to one company and delivers them also to other markets (e.g. supermarkets, local wholesale markets, commodity exchanges) [Małysz 1996]. Group work is usually sparked among farmers as they are afraid of the competition from the outside and being eliminated form the market as well as they want to control market through concentration of the supply.

Transformation of the producer group into marketing group occurs when the operation of the group exceeds primary market. The distribution of the products is then realized through several distribution channels [Kuczek 2000]. Marketing group tasks include e.g.: concentration of the supply of agricultural products as a result of combining them into uniform batches, improvement in quality of the manufactured products, searching for new sales markets, concluding agricultural procurement contracts with recipients, increasing incomes of each member of the group, access to technology, economic and legal counselling, joint promotion and advertising, easier access to credits, opportunities to obtain financial support in case of implementation of the legal acts on producer groups.

A marketing group is an association of the producers who agreed to sell their products from their farms jointly, as a group, since the group ensures widely understood marketing of agricultural products, encompassing preparation and processing, supply, promotion and distribution. Farmers’ groups, in order to generate maximal profits, usually merge production and marketing-related functions, which, in consequence, leads to enhanced entrepreneurship among the marketing group.
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